

**Q** Who can I call if I have  
questions about the Leasehold  
**A** Excise Tax?

You can call the Washington State  
Department of Revenue - Special  
Programs Division at (360) 570-3247.

To inquire about the availability of this document  
in an alternate format for the visually impaired,  
please call (360) 486-2342. Teletype (TTY)  
users please call 1-800-451-7985.



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Miscellaneous Tax Section  
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Olympia, WA 98504-7477



Washington State

Leasehold Excise Tax

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# Leasehold Excise Tax Q & A

**Q** What is the Leasehold Excise Tax?

**A** It is a tax paid by persons or businesses who use or lease publicly owned property.

Real estate and personal property which is owned by a government entity (United States, State of Washington, cities, counties, etc.) is not subject to any property tax. When private individuals or businesses use government property they are provided with the same governmental services as all other taxpayers in the state. The purpose of the Leasehold Excise Tax is to compensate governmental entities for services rendered to lessees of public property.

**Q** In what situations does the Leasehold Excise Tax apply?

**A** The Leasehold Excise Tax would apply to any interest in publicly owned real or personal property which exists by virtue of any lease, permit, license, or any other agreement, written or verbal, between the public owner of the property and a person who would not be exempt from property taxes if that person owned property.

**Q** What is the tax rate?

**A** The Leasehold Excise Tax rate is 12.84 percent of the rent paid for the property.

**Q** Which leases are subject to the Leasehold Excise Tax?

**A** Any use of public property which the user of the property would be subject to real or personal property tax if they owned the property outright. There are some specific exemptions granted in the statute (RCW 82.29A), but the vast majority of the use of public property is subject to tax.

**Q** Who is responsible for paying the tax?

**A** In all cases the lessee is ultimately responsible for paying the tax.

In the case of property owned by the state, county, city, or other Washington public entities, the lessor is required to collect the tax and the lessee is required to pay the tax. The lessor remits the tax to the Washington State Department of Revenue.

Lessee's of federal land are required to register and remit the tax directly to the Department of Revenue.

**Q** How is the tax calculated?

**A** The tax is due on the rent paid for the property. Rent would include actual

payments to the lessor as well as expenditures made on behalf of the lessor. Rent would also include improvements to the property made by the lessee if the improvements become the property of the lessor.

You should be aware that in some cases if the rent being paid is below market rental value the Department of Revenue may compute a fair market rental for the property for tax purposes.

**Q** What happens to the Leasehold Tax I remit?

**A** The total 12.84 percent tax is remitted to the Washington State Department of Revenue. Approximately 53 percent of the tax goes into the State General Fund and 47 percent of the tax is returned to the county and city in which the leased property is located.

**Q** How often is the tax remitted?

**A** The frequency of filing a tax return would be established by the Department of Revenue. The reporting period would be either monthly, quarterly, or annually. You would be notified of the period assigned to you.